

Message Text

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ACTION NEA-10

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FOR NEA, M, OES FROM AMBASSADOR

DEPT PASS AID, OMB, TRSRY

E.O.11652:N/A
TAGS: OSCI, EG, EAID, TGEN
SUBJ: STRATEGY FOR USE OF EXCESS CURRENCIES

REF:CAIRO 1812

1. AS NOTED REFTEL, EGYPT COULD CEASE TO BE AN EXCESS CURRENCY COUNTRY AS EARLY AS FY 79/80 BASED ON PRELIMINARY L.E. UTILIZATION ESTIMATES. THIS POSSIBILITY RAISES SERIOUS QUESTIONS WITH RESPECT TO OVERALL US AND EGYPTIAN PRIORITIES AND EXPENDITURE PLANNING. THIS SITUATION HAS, OF COURSE ARISEN IN OTHER COUNTRIES; OFTEN LEADING TO LAST MINUTE PROGRAM RATIONALIZATION AND PRIORITY SORTING, SOMETIMES UNDER PRESSURE FROM HOST GOVTS. I WOULD LIKE TO SEE AN ORDERLY EARLIER PLANNING PROCESS TAKE PLACE WITH RESPECT TO EGYPT.

2. SHOULD EGYPT LOSE EXCESS STATUS, SEVERAL PROGRAM AREAS, INCLUDING THE SFCP SCIENTIFIC RESEARCH ACTIVITIES WILL BE IMMEDIATELY
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AND SEVERELY AFFECTED POSSIBLY CAUSING US PROBLEMS WITH THE GOE. I AM CONCERNED THAT WE MAY BE DRIFTING INTO LOSS OF EXCESS STATUS THROUGH SPIRALING OBLIGATIONS MADE BY USER AGENCIES, EACH WITH ONLY ITS OWN NEEDS IN VIEW, AND INSUFFICIENT INTERAGENCY COORDINATION OR OVERALL USG PRIORITY DEFINITION. SOME OF THE CATEGORIES LISTED IN PARA 1 REFTEL, FOR EXAMPLE, MAY BENEFIT MOST FROM RAPID DRAWDOWNS AND OTHERS FROM A SLOWER UTILIZATION RATE.

3. THE GOE ALSO HAS AN OBVIOUS INTEREST IN LOCAL CURRENCY EXPENDITURES SINCE IT BENEFITS FROM SOME OF THE PROGRAMS FINANCED IN THIS WAY; IT SHOULD BE ADVISED AND CONSULTED BEFORE WE FIND OUR OBLIGATING AUTHORITY SEVERLY CURTAILED. IT IS DOUBTFUL IF THE GOE

AS AN ENTITY NOW HAS ANY AWARENESS OF THE MAGNITUDE, VARIETY OF ACTIVITIES OR IMPACT OF OVERALL US EXCESS CURRENCY USE. WHEN IT BECOMES AWARE, ITS VIEWS MAY NOT COINCIDE WITH OUR OWN. WE SHOULD RATIONALIZE OUR OWN REQUIREMENTS TO THE EXTENT POSSIBLE BEFORE DISCUSSING OVERALL PRIORITIES WITH THE GOE.

4. FOR THE ABOVE REASONS I SUGGEST THAT THE DEPT. AND ALL USER AND INTERESTED AGENCIES GIVE EARLY ATTENTION TO EVALUATING THEIR PROGRAMS AND PLANNED EXCESS CURRENCY USES WITH A VIEW TO DEFINING AND RATIONALIZING REQUIREMENTS WITH RESPECT TO OVERALL USG NEEDS AND AGENCY INTERESTS. THE EVALUATION MIGHT ALSO INCLUDE EXPENDITURE PHASING RECOMMENDATIONS AND AN AMINATION OF ALTERNATIVE APPROACHES TO SOME USES, E.G. SFCP RESEARCH, WHERE CONTINUATION OF PROGRAMS BEYOND LOSS OF EXCESS CURRENCY STATUS MAY BE DESIRABLE. THE EMBASSY AND USAID/C WOULD BE PREPARED TO CONTRIBUTE TO SUCH AN EVALUATION. EILTS

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